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Business Model Creativity: A Horizontal Insight Model

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Abstract

This paper presents a model for feasibility testing of novel ideas for business model innovators. It suggests a five-step systematic involvement of non-domain-related knowledge intended to deliver more unique ideas that are feasible in the decision-making phase of business model innovation.

Introduction

During the last decades, the study of business models has grown attention from both academics and practitioners. As a consequence, companies have started to focus not only on product or process innovation. By innovating operational business models and processes, companies can reinvent themselves in an ever-changing and complex market (Taran et al. 2016). Business model innovation has become a complement to the more conventional innovation types (Amit and Zott 2012).

Creativity seems to play a number of roles as part of innovating and establishing a successful new business

(model) (Govindarajan, 2010). In particular, creativity is closely linked to the activities before decision making in innovative processes. A key rationale for investing resources in creativity as part of business model innovation is that it results in more alternative ideas to choose from, hence more knowledge to base decisions on. As a result, leaders of business model innovation will be able to make better decisions if they invest resources in creativity prior to decision making.

Another rationale is that the creativity is likely to lead to more novel solutions. Hereby the business model

Keywords: Business Model Innovation, Creativity, Horizontal Knowledge

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innovator will be able to choose solutions that can drive the company into blue oceans or gain unique competitive advantages in red oceans (Kim and Mauborgne, 2005). However, the problem with novel ideas is that they often seem unfeasible at first sight because it may be difficult to understand how to produce, process, or organize these ideas. Imagine having the idea of 'paper packaging for beers'. This idea has some novel aspects in terms of value offering including far simpler recycling, cheaper material and more flexible shapes than with glass and metal. This idea, however, seems unfeasible because paper loses its strength when wet and under pressure. Established companies in the beer equipment industry may have difficulty handling such novel and seemingly unfeasible ideas because they have created elimination systems for ideas that are *'[...] financially unattractive for the leading incumbent to pursue, relative to its profit model and relative to other investments that are competing for the organizations' resources'* (Christensen, 2006: 49).

This paper suggests a Horizontal Insight Model that provides a systematic creative approach for testing novel ideas for feasibility, to increase the number of novel ideas that are feasible into the decision-making process for inventing or reinventing business models.

Approach

There are a variety of creativity methods to apply in the business model innovation process including Brainstorming (Osborn, 1953), Lateral Thinking (De Bono, 1992), Syntectics (Gordon, 1961), TRIZ (Altshuller *et al.*, 1997), Mind Mapping (Wycoff, 1991), Creative Problem Solving (Parnes, 1992), Creative Checklists (Davis and Roweton, 1968), Analogical Reasoning and Conceptual Combination (Martins *et al.*, 2015), Business Model Recipes (Baden-Fuller and Morgan, 2010; Sabatier *et al.*, 2010), Business Model Patterns (Gassmann *et al.*, 2014), and Design Thinking (Brown 2008).

Most of these creative methods focus the creative effort on the ideation phase. Also, Wirtz and Daiser (2018) suggest seven phases of a business model innovation process, and they identify creativity as a key ingredient in just one of these phases – the ideation phase. This paper suggests that creativity may play a key role also in the feasibility testing phase.

Design Thinking may currently be the most popular creativity method among practitioners. It seems to suggest that novel ideas may be tested for feasibility by gaining insights from potential users or domain-related experts. For some ideas, this kind of subject-related (vertical) insights may provide a clear answer about whether a novel idea is feasible or not. However, for a feasibility test on an idea like for example "paper packaging for beers", insights from users and domain-related experts are not likely to give any clear answer. The potential users would probably say that they like the idea because it offers new values not seen in the industry before. However, the domain related experts will reject the idea because their knowledge is based primarily on glass, metal and plastic, and may not include paper construction and paper packaging for food. In other words, they cannot make the necessary new knowledge combinations needed to further develop the idea for how a paper keg may be constructed and function as a packaging.

When taking a knowledge perspective on creativity, new ideas can be produced by combining knowledge in new ways (Ward and Kolomyts, 2010). This perspective is often considered as a cognitive process related primarily to the ideation phase. However, it may also provide a valuable understanding of how to test novel ideas for feasibility. Horizontal insights, i.e. knowledge and experiences not directly related to the problem or situation, might be crucial in that process. This type of knowledge typically comes from non-domain-related experts, but can also come from other knowledge sources. For example, an expert in "paper sacks for cement suitable for outdoor storage" is horizontally related to the idea for a "paper packaging for beers". Therefore, this is a horizontal expert that may provide us with insights to test the idea for a "paper packaging for beers" for feasibility and to further develop it into a feasible concept.

Key Insights

The Horizontal Insight Model is made up of five steps. Before step 1 there may have been some systematic idea production or a collection of ideas from employees or team members.

Step 1 is a sorting activity where all ideas are categorized according to novelty and feasibility. The purpose of this step is to identify the ideas that are relevant to

the following steps. There will be four groups of ideas: (A) ideas that are both novel and feasible; (B) ideas that are novel but unfeasible; (C) ideas that are non-novel yet feasible; and (D) ideas that are non-novel and unfeasible. The ideas in category B are relevant for the later steps and can move on to the next step in parallel or independently. An example of such an idea may be a “taxi company without a taxi fleet”. This idea was novel at the time, and most people in the taxi business domain would probably have found it unfeasible.

Step 2 is an abstraction activity where the selected idea is translated into an inter-domain principle. The purpose of this step is to make it possible to search for relevant horizontal insights. A method for translating an idea into an inter-domain principle is to take out the domain related themes like the system being a taxi company, and the resource being a taxi fleet. Now we may have an inter-domain principle of a “system that does not own its core resource”, and it is possible to take this on to the next step.

Step 3 is a searching activity where the inter-domain principle is the search key for identifying horizontal domains where experts who have already tested a similar idea for feasibility in domains not directly related to the taxi industry. The literature on business model narratives, anecdotes, cases or business model recipes can be used as databases to search for existing business models that corresponds to your specific inter-domain principle. However, you may find far more potential horizontal insights when analyzing all kinds of businesses, NGO's, and public organizations yourself.

The principle of a “system that does not own its core resource” may lead us to the knowledge domain of distributed computing, where horizontal experts have designed SETI@home as a similar idea and tested it for feasibility. When Berkeley SETI Research Center needed to analyze a huge amount of data from radio telescopes in the search for life in the universe, they found that building the necessary supercomputers to analyze this amount of data was simply not an option at the time. SETI came up with the idea of an Internet-based public volunteer computing system, and they developed a software that could send the millions of chunks of data to be analyzed by volunteer

laymen using their private computers as the resource. Their inter-domain idea may be a “distributed system supporting and integrating laymen and laymen resources”. This example of a “system that does not own its core resource” can be used in the next step.

Step 4 is a knowledge combining activity where the new horizontal insights are integrated into the idea development. The purpose is to use the existing insights from a similar horizontal domain to further develop the concept of a “taxi company without a taxi fleet” and make it feasible. This step may be performed at different levels of engagement. The lowest level may be to simply read

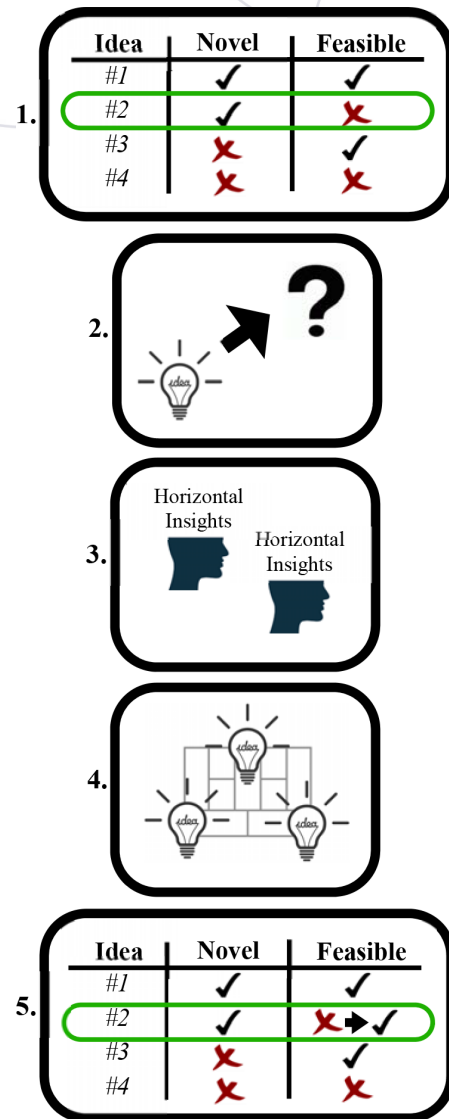


Figure 1: The Horizontal Insight Model

about the specific horizontal knowledge from existing sources about SETI@home (e.g. details from the business model narrative, anecdote, case or recipe). An intermediate level may be to familiarize with the horizontal expertise, for example from trying out the SETI@home software. The highest level may be to gain access to the real horizontal experts, i.e. the specific business model innovators, who participated in key phases of the design and implementation of SETI@home.

The application of the horizontal knowledge in this step is a creative activity that requires all involved parties to have an open, curious, playful, imaginative and visionary mind. As a result, it may be necessary to facilitate this step as a full creative process, where individual elements of the SETI@home business model narrative, anecdote, case or recipe are explored and combined with the idea of a “taxi company without a taxi fleet”.

The insights from involving the SETI@home concept may lead us to an understanding that the idea of “running a taxi company without any vehicles” could be based on a distributed system (an App) supporting and integrating laymen (as taxi drivers) and laymen resources (their private vehicles as the taxi fleet). The idea of a taxi company without a taxi fleet is easier to accept as feasible now that we can see that a “similar idea” has already been successfully tested in an indirectly related domain.

Step 5 is an adjustment activity where the categories from step 1 are updated based on the new insights gained through step 2 to 4. The purpose is to prepare a list of ideas for decision making that takes into account any changes in the variables of novelty and feasibility. From the example, we will be able to move the idea of a “taxi company without a taxi fleet” from category (B) to category (A). As a result, we now have one more novel and feasible idea to choose from in the decision-making phase.

Discussions and Conclusions

This paper offers a systematic model for using horizontal insights in a creative process to test novel ideas for feasibility. The hope is that this model will provide more novel and feasible ideas prior to decision making in business model innovation processes.

A key practical implication is related to the reduction of risk and uncertainty for business model innovators. The Horizontal Insight Model may help reduce risk and uncertainty for innovators who desire novel ideas, by making more of these ideas feasible prior to decision making. As a result, the decision-maker will have more novel and feasible ideas to choose from for inventing new or reinventing existing business models.

A key theoretical implication is related to the models for inventing new and reinventing business models. It may be possible to include the Horizontal Insight Model as one step or perspective as part of a more comprehensive process or model for understanding how to design and develop new business models. Also, the notion of “experts” as something domain related may be challenged by this new model. We may need to reconsider the users and the domain related experts as the key source of new insights for testing novel ideas for feasibility. It may be that each of these sources of insight play a unique (however, sometimes overlapping) role in the development and testing of ideas.

Finally, a philosophical implication is related to the notion of the role creativity plays in business model innovation processes. We may need to reconsider the general notion that creativity is merely related to the production of ideas – the ideation phase. Creativity may provide far more quality to the complex innovative processes of inventing new and reinventing established business models. Is there a need for a concept of business model creativity for the attempts to understand this role of creativity?

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